

**ORIGINAL**

Commissioner	Yes	No	Not Participating
Zay	√		
Deig			√
Swinger	√		
Veleta	√		
Ziegner	√		

**STATE OF INDIANA**

**INDIANA UTILITY REGULATORY COMMISSION**

**PETITION OF INDIANA-AMERICAN WATER )  
COMPANY, INC. FOR APPROVAL OF (A) A NEW )  
DISTRIBUTION SYSTEM IMPROVEMENT )  
CHARGE (“DSIC”) PURSUANT TO IND. CODE ) CAUSE NO. 42351 DSIC 15  
CHAP. 8-1-31; (B) A NEW RATE SCHEDULE )  
REFLECTING THE DSIC; AND (C) INCLUSION OF ) APPROVED: MAR 18 2026  
THE COST OF ELIGIBLE DISTRIBUTION SYSTEM )  
IMPROVEMENTS IN ITS DSIC )**

**ORDER OF THE COMMISSION**

**Presiding Officers:  
David E. Veleta, Commissioner  
Steve Henke, Administrative Law Judge**

On January 20, 2026, Indiana-American Water Company, Inc. (“Indiana-American” or “Petitioner”) filed with the Indiana Utility Regulatory Commission (“Commission”) its Petition and Submission of Case-in-Chief for approval of a new distribution system improvement charge (“DSIC”) under Ind. Code ch. 8-1-31 and 170 IAC 6-1.1.

On February 18, 2026, Petitioner filed with the Commission revised attachments and support as part of its case-in-chief. On February 19, 2026, the Indiana Office of the Utility Consumer Counselor (“OUCC”) filed its case-in-chief. On February 23, 2026, Indiana-American filed a Notice of Intent Not to File Rebuttal Testimony.

The Commission set this matter for an Evidentiary Hearing to be held on March 4, 2026, at 1:00 P.M. in Room 222. Indiana-American and the OUCC participated in the hearing by counsel, and the prefiled evidence of Indiana-American and the OUCC was offered and admitted into the record without objection.

Based on the applicable law and evidence presented, the Commission now finds:

**1. Notice and Jurisdiction.** Due, legal, and timely notice of the public hearing in this Cause was given and published as required by law. Petitioner also provided notice of its filing in this Cause to its wholesale customers pursuant to 170 IAC 6-1.1-4. Petitioner is a “public utility” within the meaning of that term in Ind. Code § 8-1-2-1 and is subject to the jurisdiction of the Commission in the manner and to the extent provided by the laws of the State of Indiana. Under Ind. Code ch. 8-1-31 and 170 IAC 6-1.1, the Commission has jurisdiction over DSIC proceedings. As such, the Commission has jurisdiction over Petitioner and the subject matter of this proceeding.

**2. Petitioner’s Characteristics.** Petitioner is an Indiana corporation engaged in the business of rendering water utility service to customers in numerous municipalities and counties throughout Indiana for residential, commercial, industrial, public authority, sale for resale and public and private fire protection purposes. Petitioner also provides wastewater utility service in Clark, Delaware, Hamilton, Wabash, and Vigo Counties.

**3. Background and Relief Requested.** Petitioner seeks approval of a DSIC pursuant to Ind. Code ch. 8-1-31, a new rate schedule reflecting the DSIC, and approval of the recovery of costs of the eligible Distribution System Improvements (“Improvements”) in Petitioner’s DSIC. As a result of the Commission’s Order in Petitioner’s last general rate case in Cause No. 45870 (“2024 Rate Order”), Petitioner’s DSIC charge was reset to zero in May 2025, when Step 3 rates took effect under the 2024 Rate Order.

The DSIC rates established in Cause No. 42351 DSIC 14 (“DSIC 14”) included the DSIC rates established in Cause No. 42351 DSIC 13 (“DSIC 13”) on March 21, 2022, and in Cause No. 42351 DSIC 12 on March 17, 2021. On April 24, 2024, Indiana-American filed its first reconciliation report for DSIC 14, and identified \$1,007,484 of over-collected revenue during the relevant recovery period. This filing was approved, which resulted in DSIC credits to customers on May 10, 2024. Petitioner submitted a reconciliation workpaper for the DSIC credits in Cause No. 45870 on May 14, 2025, and reset the DSIC to zero following implementation of Step 3 rates in that Cause. By letter dated June 25, 2025, the OUCC informed Petitioner of a miscalculation in the initial April 2024 DSIC 14 reconciliation, resulting in additional credits owed to customers. The OUCC stated the remaining credit total should be shown as a reduction in DSIC 15 pursuant to 170 IAC 6-1.1-8(c)(2). Petitioner’s DSIC revenue requirement presented in this proceeding incorporates the corrected credit calculation.

In this Cause, Petitioner proposes a new DSIC surcharge to include non-revenue producing projects that were completed and placed in service between the Cause No. 45870 Step 2 rate base cutoff and November 30, 2025. None of the non-revenue producing projects included in this DSIC filing have been previously included in Commission-approved rate base. Initially, Petitioner proposed a DSIC surcharge per equivalent 5/8-inch meter of \$2.40 to produce total annual DSIC revenues of \$12,284,434. However, with discovery and discussion from the OUCC, Petitioner agreed to revise its calculation of property taxes and updated its calculation of the proposed monthly DSIC charge to \$2.39 per equivalent 5/8-inch meter to produce total annual DSIC revenues of \$12,219,511 in a Revised Attachment PDJ-2 to its Exhibit 1.

**4. Petitioner’s Direct Evidence.** Petitioner presented the direct evidence of Philip J. Drennan, Director, Rates & Regulatory for Indiana-American, and Matthew H. Hobbs, II, Director of Engineering for Indiana-American.

**A. Calculation of DSIC 15.** Mr. Drennan testified regarding the filing requirements and methodology for calculating the DSIC. He also explained the calculation of the proposed DSIC and sponsored Petitioner’s proposed DSIC rates. He stated that Petitioner’s DSIC surcharge was reset to zero when Step 1 rates took effect per the 2024 Rate Order. Mr. Drennan explained that Petitioner was authorized to issue a DSIC surcredit after Step 1 rates took effect to

credit over-collected DSIC 14 amounts to customers, and that the DSIC surcredit was reset to zero when Step 3 rates took effect in May 2025.

Mr. Drennan testified that the Commission in the 2024 Rate Order made findings pertinent to future DSIC filings regarding property taxes, recovery of DSIC eligible investments over the Step 3 rate base cap, and recovery of cost of removal investments. Regarding property taxes, Mr. Drennan explained that the Commission ordered Petitioner to calculate its forecasted property taxes on DSIC investments consistent with the methodology used in Cause No. 45870, using a five-year weighted average of assessed values adjusted for the granted personal property assessment obsolescence claim, divided by the corresponding utility plant in service (“UPIS”) basis amounts. He stated the resulting quotient in the calculation provides the ratio of assessment value to UPIS value for real and personal property. He testified that said methodology was utilized in this proceeding.

With respect to recovery of DSIC eligible investments, Mr. Drennan stated that the Commission approved a three-step rate increase in the 2024 Rate Order with Step 3 rate base capped at the net original cost base amount of \$1,835,553,714, “with any amounts in excess of the cap being eligible for inclusion in other rate or tracker proceedings.” 2024 Rate Order, p. 93. He explained that because Petitioner’s net capital investments in Step 3 were projected to be in excess of the Commission’s authorized rate base cap, it removed all rate base components, including additions, retirements, cost of removal, and accumulated depreciation for DSIC eligible investments that were in excess of said Step 3 rate base cap. He testified that the DSIC investments removed from Step 3 rate base are in service, used and useful, and were not included in the most recent general rate case, and thus are eligible for inclusion in the current DSIC proceeding.

Regarding cost of removal of investments, Mr. Drennan testified that the Commission reaffirmed its decision made in Cause No. 45609 SEI 1 that “the cost of removal associated with retired assets must be included in the pretax return calculation of a tracker case,” which included Petitioner’s future DSIC and SEI filings. He stated that Petitioner included cost of removal in the pretax return calculation of this proceeding.

Mr. Drennan testified that Petitioner completed a reconciliation of DSIC 14 on April 24, 2024. Petitioner identified \$1,007,484 of over collected revenue during the DSIC 14 recovery period, and Petitioner was authorized to issue DSIC credits to customers over a 12-month period beginning on May 10, 2024. He explained that a reconciliation of the DSIC credits was filed in Cause No. 45870 and reset the DSIC surcredit to zero following the implementation of Step 3 rates. He stated that the OUCC identified a miscalculation in Petitioner’s initial DSIC 14 reconciliation, which was caused by failing to prorate the authorized annual revenues in DSIC 14 for the 336 days DSIC 14 revenues were in effect until Step 1 rates were implemented and DSIC 14 rates were reset to zero. He testified that the OUCC stated that the remaining credit total should be shown as a reduction in DSIC 15 in accordance with 170 IAC 6-1.1-8(c)(2). He stated that Petitioner generally agreed with the OUCC’s calculation, with an update to include \$87,275 for DSIC 14 credits issued to customers on billing invoices after Step 3 rates were implemented. Mr. Drennan further stated that Petitioner adjusted the remaining credit calculation by \$74,997 for uncollected DSIC 13 charges Petitioner was authorized to begin collecting on May 4, 2023. Petitioner implemented new rates on May 4, 2023 to collect the unrecovered DSIC 13 charges,

and the new rates were reflected in Petitioner's billing data used to reconcile DSIC 14 recovery. Without this adjustment, Mr. Drennan explained, Petitioner will effectively return \$74,997 of DSIC 13 charges Petitioner was authorized to begin collecting in May 2023.

Mr. Drennan then discussed the calculation of the DSIC 15 revenue on Schedule 1 of Attachment PJD-2 to Petitioner's Exhibit 1. The revenue requirement calculation is the same calculation the Commission approved in DSIC 14, with exception of two new line items that reflect statutory changes made to Ind. Code ch. 8-1-31 that went into effect on July 1, 2025. Mr. Drennan explained that line 5 on Schedule 1 includes deferred depreciation and post-in service carrying costs ("PISCC") as a component of Net Investor Supplied DSIC Additions. Mr. Drennan stated that Line 12 shows the amortization of the regulatory asset recording deferred depreciation and PISCC associated with eligible infrastructure improvements. He explained that, apart from the reimbursements made by the Indiana Department of Transportation ("INDOT") and other contributions reflected on Line 4 of Schedule 2 of Attachment PJD-2 to Petitioner's Exhibit 1, all net investor supplied DSIC additions were funded by Petitioner. He stated that Petitioner received approval, contingent upon meeting certain terms and conditions of the lending agreements, for zero interest financing and forgivable loans from the Indiana Finance Authority through its Drinking Water State Revolving Fund loan program to replace lead service lines. He explained that Petitioner has recorded \$26,514 of zero interest loans for the most recently approved issuances that are reflected in Petitioner's capital structure.

Mr. Drennan explained that the pre-tax rate of return on the new capital investment used in this proceeding is Petitioner's weighted average cost of capital based on the most recent data available through November 30, 2025 multiplied by total new capital investment related to the eligible additions. Mr. Drennan testified that the calculation for pre-tax rate of return, as shown on Attachment PJD-2 Schedule 5 to Petitioner's Exhibit 1, used a 9.65% return on equity approved in the 2024 Rate Order, and a 134.5015% gross revenue conversion factor on common equity.

Mr. Drennan then discussed depreciation expense applicable to the eligible DSIC improvements. Depreciation was calculated by multiplying the annual depreciations rates as approved in the 2024 Rate Order by primary plant account times the improvements, net of retirements and contributions. He stated the depreciation expense calculated on Attachment PJD-2 Schedule 3 was grossed up for uncollectible expense and Commission revenue fees at 101.0497%, a calculation shown on Petitioner's Exhibit 1, Attachment PJD-2, Schedule 5.

Mr. Drennan then testified with regard to the calculation of property tax expense as shown on Petitioner's Exhibit 1, Attachment PJD-2, Schedule 6. He said the property tax expense included for recovery reflects the annualized level of expense related to net investor supplied DSIC additions, excluding the regulatory asset recording deferred depreciation and PISCC and customer-owned lead service line replacements ("LSLR"). Mr. Drennan again stated that the calculation method follows the approved method in 2024 Rate Order. Mr. Drennan stated that the property tax expense has been grossed up to include uncollectible expenses and Commission revenue fees.

Mr. Drennan testified that Petitioner's Exhibit 1, Attachment PJD-2, Schedule 1 shows three distinct columns that are treated differently with regard to their impact on the revenue cap: Column A shows various calculations to reflect DSIC revenues associated with the total DSIC

charge to be recovered in rates; Column B shows the investments made for relocations, lead service lines, and property taxes that are included in rates but excluded from the revenue cap percentage; and Column C shows the investments in infrastructure that are in the DSIC revenues and count against the 10% DSIC revenue cap. Mr. Drennan explained that, per Ind. Code § 8-1-31-13(b), the 10% base revenue cap “does not apply to infrastructure improvement costs associated with eligible infrastructure improvements that are placed in service due to the construction, reconstruction, or improvement of a highway, street, or road . . .” or property taxes. Mr. Drennan testified that Lines 1 to 4 of Attachment MHH-11 to Petitioner’s Exhibit 2 show the applicable investments that are removed for purposes of the DSIC revenue cap. Furthermore, Mr. Drennan testified that Ind. Code § 8-1-30.6-7 states “infrastructure improvement costs associated with customer lead service line improvements shall not be counted as adjustment revenues in determining whether the water utility’s total adjustment revenues exceed ten percent (10%) of the water utility’s base revenue level approved in the water utility’s most recent general rate case.” Mr. Drennan explained that lines 6 to 8 on Attachment MHH-11 to Petitioner’s Exhibit 2 show those costs and are also removed for purposes of the DSIC revenue cap. He stated that Petitioner used total company revenues on Schedule 4 of Attachment PJD-4 to Petitioner’s Exhibit 2 to calculate the 10% revenue cap.

Mr. Drennan then discussed Petitioner’s proposal with regard to the accrual of depreciation expenses after each eligible addition is in service but before the costs are included in rates. He explained that Petitioner began recording deferred depreciation on eligible DSIC additions in July 2025 after Ind. Code Ch. 8-1-31 was amended. He stated that Petitioner is deferring depreciation expense on the eligible additions, from each addition’s in-service date, or July 1, 2025, whichever is later, until depreciation expense is recovered through rates in the DSIC. Mr. Drennan explained that Petitioner’s accounting of deferred depreciation complies with Generally Accepted Accounting Principles and the Notational Association of Regulatory Utility Commissioners’ accounting methods, and has been approved by the Commission in Petitioner’s other infrastructure rider filings. He proposes the amortization of this account will be done over the estimated life of the improvements and will be part of the revenue requirement included in the calculation of the DSIC, consistent with the accounting treatment approved by the Commission in Petitioner’s other infrastructure rider filings.

Mr. Drennan testified that Petitioner began recording post-in-service carrying costs on DSIC eligible additions in July 2025 after the statutory amendments to Ind. Code Ch. 8-1-31 Mr. Drennan stated Petitioner accrued PISCC on all eligible additions beginning with a mid-month convention when the investment is placed in service, or July 1, 2025, whichever is later, until the date the investment is included in rates for recovery. Mr. Drennan explained that the calculation for PISCC on the portion of eligible additions placed in service but not yet recovered through rates is Petitioner’s Step 3 weighted cost of capital in Cause No. 45870, compounded monthly. He further explained that the PISCC balance will be recorded as a regulatory asset and amortized over the life of underlying DSIC assets, and the amortization will be part of the revenue requirement to calculate the DSIC. Mr. Drennan stated that deferred depreciation and PISCC are components of Net Investor Supplied DSIC Additions, as shown on Line 5 on Schedule 1 in Attachment PJD-2 to Petitioner’s Exhibit 1.

Mr. Drennan testified that, per applicable state law, the DSIC surcharge will be applied as a monthly fixed charge based upon meter size. After engaging in informal discussions with the OUCC, and solely for the purpose of eliminating controversy in this proceeding, Petitioner agreed to revise the calculation of property taxes to remove an adjustment which was previously approved by the Commission until the issue could be revisited in future rate case. Based on the revised calculation, Petitioner's proposed monthly surcharge is \$2.39 per equivalent 5/8-inch meter, to produce total annual DSIC revenues of \$12,219,511.

Mr. Drennan testified that Petitioner's wastewater customers were not included in this Petition, but Petitioner may choose to include wastewater investments and customers in future petitions. He further testified about Petitioner's docket in Cause No. 46289 to merge with Community Utilities of Indiana, Inc. ("CUII"); he said that DSIC 15 rates will not apply to the former CUII customers, but that Petitioner has proposed to charge CUII's existing DSIC rates to the former CUII customers after the merger is complete. He stated that Petitioner may propose consolidating the separate DSIC charges in a future DSIC petition.

Mr. Drennan testified that Petitioner's Exhibit 1, Attachment PJD-1 reflects Petitioner's proposed DSIC surcharge, and that notice, attached as Attachment PJD-3, was provided to Petitioner's sale for resale customers by United States registered mail, informing them of this current proceeding.

**B. Description of DSIC Improvements.** Mr. Drennan and Indiana-American witness Matthew H. Hobbs outlined Petitioner's compliance with the Commission's DSIC rules in 170 IAC 6-1.1. Mr. Hobbs sponsored Petitioner's Exhibit 2, Attachment MHH-1, which provides a summary of costs for non-blanket and blanket project categories, and Attachments MHH-2 (Parts 1 and 2) and MHH-3 (Parts 1, 2, and 3), which provide the list of projects included in this DSIC. Attachment MHH-2 Part 1 lists non-blanket projects individually by project number, with project description, the date placed in service, the project purpose, the resulting benefits, the applicability of easements, the range of age of plant retired, pipe diameters, pipe length, and the total costs incurred. Attachment MHH-2 Part 2 provides specific detail of non-blanket hydrants, non-blanket hydrant valves, and non-blanket main valves, which were installed or retired as part of the non-blanket projects described in Attachment MMH-2 Part 1. Mr. Hobbs testified this specific detail was provided in accordance with the Commission's order in DSIC 13.

The first part of Attachment MHH-3 lists statewide blanket projects replaced and retired, including lead service lines, by project number, with project description, the project purpose, the resulting benefits, the range of age of plant retired, and the total costs incurred. The second part of Attachment MHH-3 lists quantities of blanket project assets replaced and retired, including lead service lines. The third part of Attachment MHH-3 provides specific detail of blanket hydrants, hydrant valves, and main valves. Mr. Hobbs explained that this specific detail was also provided in accordance with the Commission's DSIC 13 Order.

Attachment MHH-4 to Petitioner's Exhibit 2 lists all projects with additional cost detail by utility account. Attachment MHH-5 lists all projects with retirement cost detail by utility account. Attachment MHH-6 lists all projects with cost of removal and salvage detail by utility account. Mr. Hobbs testified that Petitioner has invoices and other cost support for all projects listed in

Attachment MHH-2 and Attachment MHH-3. Mr. Drennan also testified that Petitioner has invoices and other cost support.

Mr. Hobbs further testified Attachment MHH-10 to Petitioner's Exhibit 2 lists quantities and cost information for LSLR from 2017 through November 2025, for the purpose of sharing an update on Petitioner's LSLR work from the inception of Petitioner's LSLR program, approved by the Commission in Cause No. 45043. Petitioner's Exhibit 2, Attachment MHH-11 separately summarizes main relocation projects and lead service line projects from Attachment MHH-2 and Attachment MHH-3, Part 1. He explained these projects are separately delineated because DSIC costs associated with lead service line replacements and with relocations are not subject to the 10% cap on total DSIC revenues.

Mr. Hobbs generally described the types of projects included in this Cause. He explained that all the Improvements included in this Cause are replacement infrastructure, reinforcement projects, and distribution system retirements. He stated that replacement infrastructure includes mains, tanks, tank coating systems, valves, hydrants, service lines, and meters. He explained that a portion of the replacement infrastructure is associated with right-of-way improvement projects wherein the location of Indiana-American infrastructure directly conflicted with other public infrastructure improvement projects like road and sewer projects. Other projects included replacement of obsolete mains, tanks, tank coating systems, hydrants, valves, meters, and service lines that are in poor condition or hydraulically deficient for providing adequate service including public fire protection. He further explained that reinforcement infrastructure consists of mains, valves, and hydrants with the purpose of improving pressure, and fire flow and service reliability of the existing distribution system. Mr. Hobbs testified all of the projects in this Cause are replacement infrastructure, reinforcement projects, and distribution system retirements.

Mr. Hobbs further testified that all retirements associated with the new infrastructure were recorded on Indiana-American's books and records as of the date of Petitioner's filing. He also testified that no costs of removals were estimated. Mr. Hobbs explained that all listings on Attachment MHH-2 and Attachment MHH-3 represent eligible DSIC projects, and the items listed conform to the Commission's determinations of eligible DSIC costs in prior DSIC proceedings. He explained the presentation of the blanket projects, noting that blanket categories are used for common, similar activities like replacement meters, service lines, hydrants, and unscheduled main replacements.

Mr. Hobbs testified regarding what types of projects are eligible for inclusion in Petitioner's DSIC filings. He explained that this is Petitioner's fifteenth DSIC filing and, over the years, the Commission's Orders have clarified and provided guidance on the types of projects it considers to satisfy the DSIC statute's requirements.

Mr. Hobbs testified that all Improvements listed in Attachments MHH-2 and MHH-3 meet the DSIC statutory requirements. He testified that none of the projects increase revenues by connecting the distribution system to new customers, all the projects are in service, and none of the projects were previously included in rate base. Mr. Hobbs explained that as Director of Engineering he has familiarity with these projects through regular communication with Indiana-American Engineering staff during the planning, design, and construction phases of these projects.

Indiana-American project managers also confirm projects are in service through a physical inspection and then enter in-service dates for completed projects in Indiana-American's accounting software system.

He testified that he verified that none of the project costs identified in this Cause were included in rate base in any prior Causes. He explained some of the remaining project costs included in this current proceeding are for projects that were placed in service prior to December 1, 2025; however, the project costs included were not included in rate base in any prior Causes because the costs were incurred after the most recent rate base cutoff or because Petitioner had not completed all accounting for these costs by the most recent rate base cutoff.

Mr. Hobbs testified regarding the funding of the Improvements. He stated that projects included in this DSIC 15 were funded by Petitioner or were reimbursed by INDOT or others, as noted by Mr. Drennan. He also testified that all necessary local, state and federal permits, approvals, and authorizations applicable to the projects have been obtained. He further stated that no affiliates were directly or indirectly engaged in connection with the installation of projects listed in Attachments MHH-2 and MHH-3.

Mr. Hobbs stated Petitioner has a five-year Strategic Capital Expenditure Plan that provides for budgeted amounts of approximately \$599,000,000 for replacement mains, reinforcement mains, DSIC tank related work, hydrants, services, and meters for the period 2026 to 2030. He testified that included in this amount is approximately \$68,000,000 budgeted over the same period for water main replacements required by state and local governments as a result of planned and anticipated road improvements and other infrastructure projects. He testified that Petitioner would continue to review the planned level of investment and will make adjustments as required to address priorities for replacement and reinforcement infrastructure.

**5. OUCC's Evidence.** The OUCC presented the evidence of Margaret A. Stull, Chief Technical Advisor, Water/Wastewater Division. Ms. Stull testified that Petitioner seeks authority to impose a water DSIC charge and earn a return on and of \$131,251,251 of DSIC eligible rate base projects incurred through November 30, 2025. Ms. Stull stated that the project costs Petitioner included were not included in the rate base authorized by the 2024 Rate Order. Ms. Stull testified that, as revised, Petitioner proposes a \$2.39 monthly water DSIC charge per equivalent 5/8" meter.

Ms. Stull testified that Petitioner's DSIC 15 is designed to provide \$14,962,315 of additional operating revenues, consisting of (a) a \$10,610,258 return on its investments, (b) a \$3,427,874 return of its investments (depreciation expense), (c) a \$204,197 return of regulatory assets (amortization expense), and (d) property tax expense of \$719,986. Ms. Stull stated that the DSIC 15 also includes a \$2,742,804 credit to reflect over-collection of DSIC 14 revenues and a net proposed revenue of \$12,219,511.

Ms. Stull testified that Petitioner's DSIC 15 represents a 3.49% increase in total operating revenues over the Step 3 rates approved in Cause No. 45870, inclusive of the credit for the DSIC 14 over collection.

Ms. Stull testified that Petitioner updated its capital structure and its weighted cost of capital from Cause No. 45870. Ms. Stull stated that Petitioner proposed a 8.08% weighted cost of capital based on a November 30, 2025 capital structure, which equates to a 6.45% post-tax weighted cost of capital. Ms. Stull testified that the increase is only slightly higher than the 6.38% weighted cost of capital approved in the 2024 Rate Order.

Ms. Stull testified that the \$10,222,685 in proposed DSIC 15 revenues (excluding main relocations, lead service line improvements, and property tax expense) did not exceed 10% of Petitioner’s base revenue level for its water operations as approved in its last rate order or its total company base revenue level.

Ms. Stull testified that the OUCC does not oppose Petitioner’s DSIC 15, as revised on February 18, 2026.

**6. Commission Discussion and Findings.**

**A. DSIC Requirements and Calculation.** Ind. Code ch. 8-1-31 requires the Commission to approve a DSIC to allow a water utility to adjust its basic rates and charges to recover a pre-tax return, depreciation expense, property taxes, and—with the passage of Senate Enrolled Act 426 (2025) —deferred depreciation expense, and PISCC on eligible infrastructure improvements. Now, Ind. Code § 8-1-31-5.5, as amended by the Indiana Legislature effective July 1, 2025, states:

Sec. 5.5. As used in this chapter, ‘infrastructure improvement costs’ means the following:

- (1) For a public utility:
  - (A) depreciation expenses, including deferred depreciation expense beginning with the in service date of eligible infrastructure improvements;
  - (B) property taxes to be paid by the public utility based upon the first assessment date following placement in service;
  - (C) pretax return; and
  - (D) post in service carrying costs, compounded monthly and based on the overall weighted cost of capital most recently approved by the commission[.]

(Emphasis added.)

Further, Ind. Code § 8-1-31-5 defines eligible infrastructure improvements for water distribution infrastructure of a public utility as new, used, and useful water utility plant projects that:

- (a) do not increase revenues by connecting to new customers;
- (b) are in service; and
- (c) were not included in the public utility’s rate base in its most recent general rate case.

Under Ind. Code § 8-1-31-6, the rate of return allowed on eligible infrastructure improvements is equal to the public utility's weighted cost of capital. Indiana Code § 8-1-31-12 provides that the cost of common equity to be used in determining the weighted cost of capital shall be the most recent determination by the Commission in a general rate proceeding of the public utility unless the Commission finds that such determination is no longer representative of current conditions. Ind. Code § 8-1-31-8 requires that the DSIC surcharge be calculated as a fixed charge based upon meter size.

**B. Approval of Proposed DSIC.** Petitioner and the OUCC engaged in discussions and discovery to eliminate disputes in this Cause. As a result, Petitioner agreed—for purposes of this and future DSICs until the issue of calculation of property tax can be revisited in a future general rate case—to back out the tax millage adjustment previously included by employing the methodology approved by the Commission's 2024 Rate Order. Petitioner submitted revised attachments and support, which revised the calculation of property taxes in Attachment PJD-2 to Petitioner's Exhibit 1 to remove the adjustment, resulting in a change to the proposed DSIC charge from its original petition.

Based on the evidence presented, we find Petitioner's requested relief should be approved. The total cost for the additional net investor supplied DSIC additions, including deferred depreciation and carrying costs, is \$131,251,251. The pre-tax return associated with those additions, as calculated in accordance with Ind. Code ch. 8-1-31, is 8.08%. The total DSIC 15 revenue requirement is \$14,962,315, which includes revenues not used to calculate the 10% cap established by Ind. Code. § 8-1-31-13(a). Accordingly, the total revenue requirement associated with the DSIC 15 Improvements applicable to the revenue cap is below 10% of the revenues authorized in Petitioner's last rate case. Therefore, the DSIC to be established in this proceeding is not subject to reduction under Ind. Code § 8-1-31-13.

Furthermore, the evidence shows that all the projects are in service, do not result in the addition of new customers to Petitioner's system, and fall into the NARUC Uniform System of Accounts for Water Utilities Accounts 303, 304, 330, 331, 333, 334, or 335. As such, they are eligible for inclusion in a DSIC.

The evidence further shows that Petitioner calculated the DSIC surcharge in this proceeding as a monthly fixed charge based upon meter size, as required by Ind. Code § 8-1-31-8. Specifically, Petitioner proposed a new DSIC 15 monthly surcharge of \$2.39 per equivalent 5/8" meter as set forth in Attachment PJD-1 (Revised) to Petitioner's Exhibit 1.

Based on the evidence presented, the Commission finds that Petitioner's request for a DSIC complies with the requirements of Ind. Code ch. 8-1-31 and 170 IAC 6-1.1. Further, Petitioner's proposed DSIC is non-discriminatory, reasonable, and just. Accordingly, we find that Petitioner is authorized to collect from each of its present and future water customers, a monthly DSIC of \$2.39 per equivalent 5/8" meter as set forth in Attachment PJD-1 (Revised) to Petitioner's Exhibit 1.

**C. Reconciliation of Petitioner's DSIC.** Petitioner should be prepared to reconcile the DSIC approved by this Order in the manner prescribed by Ind. Code § 8-1-31-14 and 170 IAC 6-1.1-8. Under Ind. Code § 8-1-31-14, at the end of each 12-month period a DSIC is in

effect, the difference between the revenues produced by the DSIC and the expenses and the pre-tax reflected in it should be reconciled and the difference refunded or recovered through adjustment of the DSIC.

**IT IS THEREFORE ORDERED BY THE INDIANA UTILITY REGULATORY COMMISSION that:**

1. A Distribution System Improvement Charge calculated as a fixed charge by meter size and designed to generate total annual DSIC revenues of \$12,219,511 is approved.
2. Prior to placing into effect the above-authorized DSIC, Indiana-American shall file under this Cause Petitioner's Exhibit 1, Attachment PJD-1 (Revised) as an appendix to its schedule of rates and charges for water service for approval by the Commission's Water/Wastewater Division.
3. The above-authorized DSIC shall be subject to reconciliation as described above.
4. This Order shall be effective on and after the date of its approval.

**ZAY, SWINGER, VELETA, AND ZIEGNER CONCUR; DEIG NOT PARTICIPATING:**

**APPROVED: MAR 18 2026**

**I hereby certify that the above is a true and correct copy of the Order as approved.**

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**Dana Kosco  
Secretary of the Commission**